

# MARYLAND 2024

**Instructions for filing corporation income tax returns  
for calendar year or any other tax year or period beginning in 2024.**

Draft as of 09/26/2024



**Brooke E. Lierman, Comptroller**

## Maryland Corporation Taxpayers

This booklet contains the necessary instructions for a corporation to file a Maryland corporation income tax return for tax year 2024. Read the instructions carefully.

Use blue or black ink when completing your forms and checks.

To avoid delays in the processing of your return:

- Do not use pencil or ink of any other color.
- Do not print returns on colored paper.
- Do not write on, staple or punch holes in the barcode.

S corporation instructions are not included in this booklet. S corporations, partnerships, limited liability companies and business trusts must use the Pass-Through Entity tax return, Form 510, or Pass-Through Entity Election Income Tax Return, Form 511.

Manufacturing corporations are subject to a special single factor formula of receipts. The rules for calculating this single factor can be found in Maryland Tax Regulation 03.04.03.10.

Direct Deposit of refunds is available for all corporations.

### New for 2024

#### Addition Modifications:

There are no new addition modifications.

**Subtraction Modifications:** There are changes to two subtraction modifications.

#### Subtraction Modifications:

**Cannabis Reform – Alterations – House Bill 253:** This bill alters the subtraction for ordinary and necessary business expenses related to a cannabis business by removing the reference to “medical” cannabis businesses and adding a reference to “registered cannabis businesses.”

**Horse Racing Facility Ownership and Construction – House Bill 1524:** This bill amends the subtraction for income recognized before, on, or after June 1, 2024, from the sale of property within or the expenditure of government funds on Laurel Park in Anne Arundel County, Pimlico Race Course in Baltimore City, or Bowie Race Course Training Center in Prince George’s County.

**Tax Credits:** There are changes to two tax credits.

#### Tax Credits:

**Budget Reconciliation and Financing Act of 2024 – Senate Bill 362:** This bill repeals the Small Business Relief Tax Credit for paid sick and safe leave, effective June 1, 2024. Credit certificates issued prior to June 1, 2024 may be used to claim the credit.

**Catalytic Revitalization Project Tax Credit Alterations – Senate Bill 394:** This bill specifies the credit certificate may now be issued by the Maryland Department of Housing and Community Development in one of two ways: (1) for a project issued a single tax credit on completion, the taxpayer may claim a credit of 20% of the amount stated on the certificate for 5 consecutive years; and (2) for a phased project issued on completion of a phase, the taxpayer may claim 100% of the amount stated on the certificate.

### Form 500CR

**Electronic Format** In accordance with SB 36 of the Acts of 2018 of the Maryland General Assembly, the Comptroller of Maryland may grant a taxpayer a waiver of the requirement to file for certain tax credit(s) by electronic means. **Form 500CRW, Request for a Waiver, must be submitted with the Form 500CR** that establishes a reasonable cause for not filing by electronic means or that there is no feasible means of filing electronically creating an undue hardship.

**Tax-exempt organizations** Organizations that are tax exempt under Internal Revenue Code 501(c) may be eligible to

claim certain business tax credits against their withholding taxes. These qualified organizations **no longer use Form 500CR**, but will use Form MW508CR as an attachment to Form MW508 (Annual Employer Withholding Reconciliation Return). See Administrative Release 34.

Form 500CR is used to claim the following business tax credits against corporation and individual income tax. See the instructions for more information about these tax credits.

| NON- REFUNDABLE TAX CREDITS   | PART |
|---|------|
| Enterprise Zone Tax Credit**  | A    |
| Maryland Disability Employment Tax Credit**   | C    |
| Job Creation Tax Credit**   | D    |
| Community Investment Tax Credit**   | E    |
| Businesses That Create New Jobs Tax Credit  | F    |
| Cybersecurity Incentive Tax Credit for Buyers of Cybersecurity Technology or Cybersecurity Services** | H-II |
| Employer-Provided Long-Term Care Insurance Tax Credit   | I    |
| FEDERAL Security Clearance Costs Tax Credit   |      |
| Maryland Employer Security Clearance Costs Tax Credit**   | J-I  |
| First Year Leasing Costs Tax Credit for Qualified Small Businesses**                                  | J-II |
| Research and Development Tax Credits for Businesses Not Certified as a “Small Business”***            | K-I  |
| Commuter Tax Credit**   | M    |
| Work Opportunity Tax Credit   | O    |
| Non-Refundable One Maryland Economic Development Tax Credit** See 500CR Instructions                  | P    |
| RESERVED  | Q    |
| Energy Storage Systems Tax Credit**   | R    |
| Automated External Defibrillator Tax Credit For Restaurants   | T    |
| Endow Maryland Tax Credit**   | V    |
| Preservation and Conservation Easements Tax Credit**  | X    |
| Apprentice Employee Tax Credit**  | Y    |
| Qualified Farms Tax Credit**  | Z    |
| RESERVED  | AA   |
| Endowments of Maryland Historically Black Colleges and Universities Tax Credit**                      | BB   |

| REFUNDABLE TAX CREDITS   | PART |
|--|------|
| Small Business Relief Tax Credit**   | B    |
| Catalytic Revitalization Projects and Historic Revitalization Tax Credit**             | G    |
| Innovation Incentive Tax Credit for Investors in Innovation**                          | H-I  |
| Research and Development Tax Credits for Businesses Certified as a “Small Business”*** | K-II |
| Biotechnology Investment Incentive Tax Credit**  | L    |
| RESERVED   | N    |
| Refundable One Maryland Economic Development Tax Credit** See 500CR Instructions       | P    |
| More Jobs for Marylanders Tax Credit **  | S    |

|   |     |
|---|-----|
| Film Production Activity Tax Credit**                                     | U   |
| Theatrical Production Tax Credit**  | W   |
| Heritage Structure Rehabilitation Tax Credit from Form 502S               | DDD |
| <b>**Required Certification must be included with Form 500CR or 502S.</b> |     |

Tax exempt organizations which qualify for business tax credits against their withholding tax should use Form MW508CR to claim the tax credit on Form MW508.

Credits that have expired:

Both the Small Business Relief Tax Credit and the More Jobs for Marylanders Tax Credit expire on June 1, 2024 but can still be claimed on tax year 2024 returns.

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### Filing electronically

The State of Maryland participates in the Federal/State Modernized e-File program to file Maryland Corporation and Pass-Through Entity returns electronically. For the list of Software Vendors approved for e-filing Maryland returns or for additional program information, visit [marylandtaxes.gov](http://marylandtaxes.gov). You may also contact our e-File Helpdesk by emailing [efil@marylandtaxes.gov](mailto:efil@marylandtaxes.gov) or calling 410-260-7753.

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### Forms and help

For online business registration, tax forms, instructions, publications, and Maryland Tax Regulations, visit [marylandtaxes.gov](http://marylandtaxes.gov).

E-mail your tax questions to: [taxhelp@marylandtaxes.gov](mailto:taxhelp@marylandtaxes.gov).

For assistance, call: 410-260-7980 in Central Maryland, or 1-800-MDTAXES (1-800-638-2937) from elsewhere.

Draft as of 09/26/2024

**GENERAL INSTRUCTIONS**

**FILING FORM 500**

Form 500 must be filed electronically if the corporation plans to claim a business income tax credit from Form 500CR or the Heritage Structure Rehabilitation Tax Credit from Form 502S.

**PURPOSE OF FORM 500** Form 500 is used by a corporation and certain other organizations to file or to amend an income tax return for a specific tax year or period.

**NOTE:** S corporations must use Form 510 — Maryland Pass-Through Entity Income Tax Return, or Form 511 - Pass-Through Entity Election Income Tax Return.

**1 WHO MUST FILE?**

**TAXPAYERS REQUIRED TO FILE** Every Maryland corporation must file an income tax return on Form 500, even if it has no taxable income or if the corporation is inactive. Every other corporation that is subject to Maryland income tax law and has income or losses attributable to sources within Maryland also must file Form 500.

Corporations operating in Maryland and in one or more other states are subject to Maryland income tax if their Maryland activity exceeds the provisions for federal protection from state taxation. U.S.C.A. Title 15, Section 381 of the Interstate Commerce Tax Act (P.L. 86-272) prescribes the extent of business activity required before states may impose income taxes.

A multistate corporation that operates in Maryland but is not subject to the Maryland income tax law is not required to file, although a return reflecting an apportionment factor of zero may be filed for record purposes. Letters in lieu of filing will not be accepted.

All financial institutions are subject to corporation income tax and have special apportionment rules. See Code of Maryland Regulations (COMAR) Chapter 03.04.08.

**ORGANIZATIONS EXEMPT FROM FILING** The following organizations are not subject to the Maryland corporation income tax and are exempt from filing an income tax return on Form 500, except as specified:

- **Pass-through entities** defined as partnerships in IRC Section 761, S corporations in IRC Sections 1361 and 1362, Limited Liability Companies (LLC) in Maryland Corporations and Associations Article Section 4A-101 and business trusts in Maryland Corporation and Associations Article Section 12-101.

LLCs and Business Trusts are treated as partnerships for Maryland income tax purposes, unless they are treated as corporations for federal income tax purposes.

Pass-through entities must file an income tax return on Form 510 or Form 511. Additionally, each member must file an income tax return.

An S corporation that is subject to federal income tax at the corporate level, also is subject to Maryland corporation income tax and Form 500 must be filed.

Maryland will follow the IRS rules for a single member LLC that is disregarded as a separate entity ("check-the-box") and certain partnerships that do not actively conduct a business and have elected not to be treated as a partnership.

For additional information regarding the taxation and filing requirements of pass-through entities, see the instructions provided with Form 510 and Form 511.

- **Nonprofit organizations** that are exempt from taxation under IRC Section 501, except those with taxable income for federal purposes, such as unrelated business taxable income or exempt function income under IRC Section 527.

Under Section 501, a variety of organizations, generally nonprofit groups organized for charitable or mutual benefit purposes, are exempt from income taxation. However, it may be subject to income tax if it has income from the operation of a business not related to the purpose for which they received their exemption.

The same tax treatment afforded for federal income tax purposes is afforded for Maryland income tax purposes. Income that is taxable for federal purposes also is taxable for Maryland purposes. Exempt corporations with federal taxable income must file Form 500 to report the income and pay the tax.

Whether or not required to file Form 500, nonprofit organizations operating in Maryland that are subject to federal exempt-status notification requirements must register with the Maryland Revenue Administration Division. To register, an authorized official must submit a letter of request accompanied by a copy of the Internal Revenue Service (IRS) determination of tax-exempt status.

Other agencies such as the State Executive Department - Secretary of State, State Department of Assessments and Taxation and Attorney General's Office each has its own specific requirements for nonprofit organizations.

- **Investment conduits** such as a Regulated Investment Company (RIC), and a Real Estate Mortgage Investment Conduit (REMIC), except those with taxable income for federal purposes. Investment conduits with such taxable income must file Form 500 reporting the taxable income. Real Estate Investment Trust should see Special Requirements For Certain Organizations.
  - **Individual retirement account (IRA)** trusts that are exempt from taxation under IRC Section 408 (e)(1), except those with taxable income for federal purposes. IRA trusts with such taxable income must file Form 504 reporting the taxable income.
  - **Insurance companies** within the meaning of the Insurance Article, Annotated Code of Maryland, Managed Care Organizations and Health Maintenance Organizations are subject to the insurance company premium tax. Insurance companies must contact the Maryland Insurance Administration regarding filing requirements and taxation.
  - **Common trust funds** as defined in the Maryland Financial Institutions Article Section 3-501(b).
  - **Fiduciary** taxpayers must file an income tax return on Form 504. Fiduciaries who are an Electing Small Business Trust (ESBT) are taxable by Maryland. See Form 504 Instructions for more information.
- SPECIAL REQUIREMENTS FOR CERTAIN ORGANIZATIONS**
- **Affiliated corporations** that file consolidated federal returns must file separate Maryland returns for each member corporation. Each member corporation must file and report the taxable income or loss on a separate basis, without regard to the consolidation for federal income tax purposes. Consolidation adjustments reported for federal purposes are not allowed for Maryland purposes.
  - **Qualified Sub-S Subsidiaries** are treated as divisions by the IRC and are not considered as separate entities for Maryland purposes. These divisions will be included on the parent

company's annual Maryland return.

- **A Real Estate Investment Trust (REIT)** is subject to the Maryland income tax when the REIT has taxable income at the federal level, as computed on Federal Form 1120-REIT. A Captive REIT may also have a Maryland income tax liability even if that entity does not have a federal income tax liability on its federal return.

**A Captive REIT** is a corporation, trust, or association that:

- Is considered a REIT for the taxable year under IRC Section 856;
- Is not regularly traded on an established securities market; and
- More than 50% of the voting power or value of the beneficial interests or shares of which, at any time during the last half of the taxable year, are owned or controlled (directly or indirectly) by a single entity that is a C corporation.

**A Captive REIT does not include:**

- A real estate investment trust that is intended to become regularly traded on an established securities market; or
- A corporation, trust, or association of which more than 50% of the voting power or value of the beneficial interests are owned directly or indirectly by:
  - Another non-captive REIT;
  - A nonprofit entity;
  - A listed Australian property trust, or an entity organized as a trust in which a listed Australian property trust owns or controls, directly or indirectly, 75% or more of the voting power or value of the beneficial interests or share of the trust; or
  - A qualified foreign entity. A qualified foreign entity is a corporation, trust, association, or partnership that is organized under the laws of a foreign government with which the United States government has a treaty, and:
- At least 75% of the total assets of the entity at the close of the entity's taxable year are represented by real estate assets, cash and cash equivalents;
- Is not subject to tax on amounts distributed to the entities beneficial owners or is exempt from entity-level taxation;
- Distributes at least 85% of the taxable income of the entity annually; and
- Of which not more than 10% of the voting power of the entity is owned or controlled directly or indirectly by a single entity or individual or the shares are regularly traded on an established securities market.

**A Captive REIT** is required to report a Maryland addition modification for the amount of its federal dividends paid deduction.

**Manufacturing Corporations** are subject to a special single factor formula of receipts. The rules for calculating the single factor can be found in Code of Maryland Regulations (COMAR) 03.04.03.10.

## 2 WHEN AND WHERE TO FILE

File the original Form 500 by the 15th day of the 4th month following the close of the tax year or period, or by the original due date required for filing the federal return.

Generally, a claim for a refund or overpayment credit must be

filed within three years from the date the original return was filed or within two years from the date the tax was paid, whichever is later. An original return filed before the due date is considered to have been filed on the date it was due. The following exceptions apply:

- A claim for refund filed within 3 years after the date of filing the original return is limited to the amount paid within the 3 years plus any extension of time for filing the return, immediately preceding the filing of the claim.
- A claim for refund filed after 3 years, but within 2 years from the date the tax was paid is limited to the amount paid within the 2 years immediately before filing the claim.
- A claim for refund based on a federal NOL carryback must be filed within 3 years after the due date (including extensions) of the return for the tax year of the NOL.
- If the Internal Revenue Service (IRS) issues a final determination of adjustments that would result in an increase to Maryland taxable income, file the amended return within 90 days after the final determination.
- If the IRS issues a final report of adjustments that would result in a decrease to Maryland taxable income, file the amended return within 1 year after the final adjustment report or the final court decision, if appealed.
- If the claim for refund or credit for overpayment resulted from a final determination made by an administrative board or an appeal of a decision of an administrative board, that is more than 3 years from the date of filing the return or more than 2 years from the time the tax was paid, the claim for refund must be filed within 1 year of the date of the final decision of the administrative board or final decision of the highest court to which an appeal of the administrative board is taken.

**Note:** Changes made as part of an amended return are subject to audit for up to three years from the date the amended return is filed. For more information regarding refund limitations, see Administrative Release 20. The returns must be filed with the

**Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411-0001**

Corporations and organizations that are afforded a later due date for federal returns under the Internal Revenue Code (IRC) are afforded the same due date for Maryland income tax returns.

## 3 SIGNATURES REQUIRED

Form 500 must be signed by a duly authorized corporate officer. Preparers, other than corporate employees, also must print name and sign the return.

If a return is filed by a fiduciary, the fiduciary must print name and sign the return and attach verification of the authority to do so. See Instruction 9 - Signatures and Verification

## 4 GENERAL INFORMATION FOR FORM 500

**Accounting Periods** The tax year or period used for the federal return must be used for the Maryland return. Accordingly, calendar tax years, fiscal tax years, 52-53 week tax years, and short tax periods may be necessary for Maryland filing purposes.

A Maryland return must be filed for each reporting period for which a federal return is filed or required. The form used for filing

must reflect the preprinted tax year in which the corporation's tax year begins.

In a 52-53 week tax year, Maryland follows federal treatment as to effective dates or the applicability of any provision expressed in terms of tax years beginning, including or ending with reference to a specified date.

**Use of Federal Figures** In preparing Form 500, all items reported for federal purposes must be reported on the Maryland return in the same manner. The character of an item cannot be changed from that required or elected for federal purposes.

**Copy of Federal Return Required** A copy of the actual federal income tax return through Schedule M2 as filed with the IRS for the corresponding tax period must be attached to Form 500. The Maryland filing will not be complete unless the required federal copy is attached.

Corporations included in a consolidated filing for federal income tax purposes must file separate returns for Maryland purposes and attach a copy of the actual consolidated federal return through Schedule M2 to each Maryland filing. Each Maryland filing also must include a copy of the columnar schedules of income and expense and of balance sheet items (which are required for the federal filing), reconciling the separate items of each member corporation to the consolidated totals.

**Taxable Income** The starting point for Form 500 is taxable income as developed for the federal income tax return after special deductions for dividends. (See "Specific Instructions" for line 1a and 1b.) No modification of the federal net operating loss or special deductions is allowed under Maryland income tax law except in the case of a Foreign Dividend Subtraction Carryforward (FDSC), decoupling modifications, and Section 10-306.1 related party transactions.

The federal net operating loss deduction effectively is allowed for the Maryland filing by using federal taxable income. The federal provisions for carryback and carryforward also apply for purposes of the Maryland return **unless** you are following certain provisions of the Job Creation, Worker Assistance Act of 2002, the American Recovery and Reinvestment Act of 2009. If an election to forgo a carryback is made, a copy of the federal election must have been included with the Maryland return for the loss year.

For the tax year in which a net operating loss occurs, that current operating loss is used to offset Maryland modifications. If the total of addition modifications exceeds the total subtraction modifications in the tax year of the net operating loss, a modification to recapture the excess of additions over subtractions is required when claiming the corresponding net operating loss deduction. For more information, see Section 10-205 of the Maryland Tax-General Article.

**NET OPERATING LOSS DEDUCTIONS.** The NOL for Maryland purposes is the **federal net operating loss**. No modification of the federal NOL is allowed under Maryland income tax law except in the case of a foreign source dividend subtraction. For more information about foreign source dividend subtractions, refer to Administrative Release 18.

A corporation included in a consolidated federal filing must use its separate federal NOL. An NOL should be entered on line 5 on Form 500 but may not be used to reduce line 6 to less than zero.

**Note: For 2020, Maryland has decoupled certain provisions from the CARES Act. For more information, see Tax Alert 7-24 at [marylandtaxes.gov](http://marylandtaxes.gov).**

Generally, the carryback of an NOL does not change the previously reported addition or subtraction modifications in a

carryback year.

The federal provisions for carryback and carryforward apply for purposes of the Maryland return **unless** you are following certain provisions of the Internal Revenue Code (IRC) from which the State of Maryland has decoupled, including certain special depreciation allowances and 2-year carryback provisions (farming loss only). If an election to forgo a carryback is made, a copy of the federal election must have been included with the Maryland return for the loss year.

An addition modification may be required in a carryback or carryforward year if the total Maryland addition modifications exceed the total Maryland subtraction modifications **in the loss year (NAM or net operating loss modification recapture)**.

The required addition modification represents a recapture of the excess additions over subtractions and generally is equal to the lesser of the NOL deduction in the carryback year or the net addition modification in the loss year. For more information regarding net addition modification, refer to Administrative Release 18.

**NET CAPITAL LOSSES.** If a net capital loss carryback is used to reduce federal taxable income, an addition modification is required for the amount of the income reduction.

The federal **special deduction for dividends** is treated as a current year deduction. It is deducted from federal taxable income before application of the net operating loss deduction. The deduction reduces taxable income and may create a net operating loss.

If an **affiliated group of corporations** files a consolidated return for federal purposes, each member corporation must calculate any net operating loss and special deductions based on its separate federal taxable income and loss. The deductions must be calculated in strict accordance with federal income tax provisions, as if the member corporation is not involved in a consolidated filing and files a separate return with the IRS.

**Maryland modified income** is federal taxable income after statutory addition and subtraction adjustments and/or modifications. For a list of the statutory addition and subtraction adjustments and modifications, see Specific Instructions.

**Maryland apportioned income** is applicable only for multistate corporations and is developed by applying the apportionment factor to Maryland modified income. For an explanation of apportionment provisions, see Instructions for Schedule A - Computation of Apportionment Factor.

**Maryland taxable income** is federal taxable income after statutory adjustments, modifications, and applicable apportionment.

**Maryland Business Income Tax Credits** For information about credits against the tax, see Specific Instructions for lines 15c and 15d or the instructions provided for Form 500CR - Maryland Business Income Tax Credits. Form 500CR Instructions are available online at [marylandtaxes.gov](http://marylandtaxes.gov). You must file Form 500CR electronically to claim a business income tax credit.

**Tax, Interest and Penalty** The tax rate is 8.25%. The annual rate of interest charged for taxes owed to the State is 10.0075% from 01/01/24 through 12/31/24. The annual interest rate after 12/31/24 is 11.4825%. For more information, visit [marylandtaxes.gov](http://marylandtaxes.gov).

A penalty is applicable for late filing of tax returns and/or late payment of any taxes due. Additional penalties are applicable for the filing of false, fraudulent or frivolous returns and civil and/or criminal fines and imprisonment may apply.

In the case of delinquent taxes, the State will record a lien and judgment and proceed with legal action as necessary to effect collection of the balance due.

## **5 OTHER MATTERS**

**Extension of Time to File** If unable to file Form 500 by the due date, a corporation must submit Form 500E - Maryland Application for Extension to File Corporation Income Tax Return. Maryland law provides for an extension of time to file, but in no case can an extension be granted for more than **seven** months beyond the original due date.

The request for extension of time to file will be granted for seven months, provided that:

- 1) The application is properly filed and submitted by the 15th day of the 4th month following the close of the tax year or period, or by the original due date required for filing of the federal return; and
- 2) Full payment of any balance due is submitted with the application.

The application extends only the time allowed to file the annual income tax return and not the time allowed to pay the tax.

For additional information regarding extensions of time to file, see the instructions provided with Form 500E.

**Estimated Income Tax** Every corporation that reasonably expects its Maryland taxable income to develop a tax in excess of \$1,000 for the tax year or period must make estimated income tax payments with Form 500D - Maryland Declaration of Estimated Corporation Income Tax. If the corporation is required to make multiple payments it will use a Form 500D for each of the additional payments. This form is available at [marylandtaxes.gov](http://marylandtaxes.gov).

Declaration of estimated income tax payments are due by the 15th day of the 4th, 6th, 9th and 12th months following the beginning of the tax year or period. The total estimated tax payments for the year must be at least 90% of the tax developed for the current tax year or 110% of the tax that was developed for the prior tax year. At least 25% of the total estimated tax must be remitted by each of the four installment due dates.

In the case of a short tax period, the total estimated tax required is the same as for a regular tax year: 90% of the tax developed for the current (short) tax year or 110% of the tax that was developed for the prior tax year. The minimum estimated tax for each of the installment due dates is the total estimated tax required divided by the number of installment due dates occurring during the short tax year.

For additional information regarding estimated income tax, see the instructions provided with Form 500D.

**Audits and Appeals** All items reported on Form 500 are subject to audit, verification and revision, including items reported for federal purposes. Returns and amendments are subject to audit and adjustment for a period of 3 years from the date the return was due (including extensions) or the date the return was filed, whichever is later.

In the event of revision and assessment or reduced refund, the Comptroller will notify the corporation. If in disagreement with the assessment or denial of the refund, the corporation may file with the Compliance Division a written request for revision of the assessment or reconsideration of the refund denial. The request, in either case, must be made by submitting an application for an informal hearing with the Compliance Division within 30 days of

the assessment or denial of the refund.

Failure to file a written request or attend the informal hearing will result in the assessment or denial of refund becoming final and non-appealable.

You may file an appeal with the Maryland Tax Court within 30 days of a final determination by the Compliance Division hearing officer.

**Amended Return Form 500X has been combined with Form 500.** To correct an error in previously filed returns, check the amended return box on page 1 and complete the entire return (where applicable) including the amended figures. Attach copies of the documents required and filed with the IRS. If the corrections affect only the Maryland return and not items of federal taxable income, include a thorough explanation of the changes.

Each affected member of a consolidated federal filing also must include a schedule reconciling the amendments of each member corporation to the consolidated totals.

Federal income tax law provides for certain capital loss carryback and carryforward. Any carryforward effectively is allowed when reporting federal taxable income on the Maryland return. Except as specifically decoupled from the CARES Act. For more information, see Tax Alert 7-24 at [marylandtaxes.gov](http://marylandtaxes.gov). Do not attach amended returns to an original corporation income tax filing.

Amended return(s) must be filed electronically if the change is related to a business income tax credit from Form 500CR.

**NOTE:** Changes made as part of an amended return are subject to audit for up to three years from the date that the amended return is filed.

**Federal Adjustments** If the items of federal taxable income reported for any tax year or period are adjusted by the IRS and will increase Maryland taxable income, an amended return together with a copy of the final IRS adjustment report must be submitted within 90 days.

Each affected member of a consolidated federal filing also must include a schedule reconciling the separate adjustments of each member corporation to the consolidated totals.

**Refund Claims** Generally, a claim for a refund (amended return) must be filed within 3 years from the date the original return was filed or within 2 years from the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

If the claim for refund resulted from an IRS adjustment or final decision of a federal court which is more than 3 years from the date of filing the return or more than 2 years from the time the tax was paid, a claim for refund must be filed within 1 year from the date of the adjustment or final decision.

A claim for refund based on a federal net operating loss carryback must be filed within 3 years after the due date of the return for the tax year of the net operating loss.

**Taxpayer Identification Required for Returns and Other Documents** All returns, correspondence, payments or other documents must indicate the corporation name, Federal Employer Identification Number (FEIN), type of tax and tax year(s) to which the document relates.

All corporations are required to secure a FEIN from the IRS. The FEIN is the number used by the IRS for processing purposes and also is the primary number used by the Maryland Revenue Administration Division.

The type of tax and tax year(s) are necessary to identify the subject of the document and the intention of payments. This information ensures that documents and payments are applied to the correct account.

**Use of Paid Preparers** The Corporation is responsible for the timely filing of returns, payment of tax, responding to requests and all other requirements, even if a paid preparer is used.

**Substitute Forms** You may file your Maryland income tax return on a computer-prepared or computer-generated substitute form provided the form is approved in advance by the Revenue Administration Division. The fact that a software package is available for retail purchase does not guarantee that it has been approved for use.

For additional information or to see a list of Approved Software Vendors for Maryland Substitute Tax Forms, visit [marylandtaxes.gov](http://marylandtaxes.gov).

**Employer Withholding of Income Tax** Employers that make payments to individuals of salaries, wages, or compensation for personal services must withhold income tax as prescribed in published tables and remit the withholding to the Maryland Revenue Administration Division with Form MW506 or MW506M - Employer's Return of Income Tax Withheld.

An annual reconciliation is required to be filed on Form MW508 - Annual Employer Withholding Reconciliation Return and submitted with the state copy of the wage and tax statements issued to the employees as required by law.

For additional information regarding employer withholding tax, contact the Taxpayer Services Division at 1-800-638-2937 or from Central Maryland at 410-260-7980.

**Privacy Notice** The Maryland Revenue Administration Division requests tax return information to administer the income tax laws of Maryland, including the determination and collection of the correct taxes and other amounts. Failure to provide all or part of the requested information may result in the disallowance of claimed amounts and an increased tax liability. In addition, the law makes provision for securing information from taxpayers that fail to supply required information, and a penalty may apply.

Taxpayers have a right to access their tax records maintained by the Revenue Administration Division, and may inspect, amend or otherwise correct them. To obtain a copy, submit a written request containing the corporation name, address and identification number and specify the information needed. The request must be signed by an authorized corporation officer.

As authorized by law, information furnished to the Revenue Administration Division may be given to the IRS, a proper official of any state that exchanges tax information with Maryland, and to an officer of this State having a right to the information in that officer's official capacity. Also, the information may be obtained in accordance with a proper judicial or legislative order.

## **6 TAX YEAR OR PERIOD**

ENTER THE BEGINNING AND ENDING DATES IN THE SPACE PROVIDED AT THE TOP OF FORM 500. The form used in filing must reflect the preprinted tax year in which the corporation's tax year begins.

The same tax year or period used for the federal return must be used for Form 500.

## **7 ASSEMBLING AND COMPLETING YOUR RETURN**

Complete the federal income tax return first and use it in preparation of the Maryland return. After completing the Maryland return, assemble your return in the following order: Form 500, any required Maryland forms and their related attachments, any Maryland Schedule K-1 (510/511) or other statements showing credits claimed on corporation return, and the federal income tax return through Schedule M2.

### **NAME, ADDRESS AND OTHER INFORMATION**

Type or print the correct name and address in the designated area. Enter the corporation name exactly as specified in the Articles of Incorporation, or as amended, and continue with any "Trading As" (T/A) name if applicable.

Enter the FEIN. If a FEIN has not been secured, enter "APPLIED FOR" followed by the date of application. If a FEIN has not been applied for, do so immediately.

Enter the date of incorporation and the federal business code number. The date of incorporation must be expressed numerically, using two digits each for the month, the day and the year. The Business Code is a six-digit number available from the federal return which identifies the principal business activity.

Check the applicable box if:

- (1) The name has changed;
- (2) This is an inactive corporation (in Maryland and elsewhere - Do not check the box for inactive if the corporation is inactive in Maryland but active elsewhere.);
- (3) This is the first filing of the corporation;
- (4) This is the final return of a corporation that has dissolved, liquidated or withdrawn from Maryland; or,
- (5) This tax year's beginning and ending dates are different from last year's due to an acquisition or consolidation.

## **8 SPECIFIC INSTRUCTIONS**

### **LINE 1a - TAXABLE INCOME PER FEDERAL RETURN**

Enter the taxable income before net operating loss and special deductions from the federal return. This amount can be found on line 28 of federal Form 1120, or line 25c of federal Form 1120-C. Use a minus sign (-) in front of the number to indicate a loss.

Federal taxable income should include any add-back for any charitable contribution from Line 19 of the federal Form 1120 that is over the federal charitable contribution limitation.

A corporation included in a consolidated filing for federal income tax purposes must enter its separate federal taxable income, calculated using federal law as if the corporation had filed separately for federal purposes. Attach a copy of the actual consolidated federal income tax return through Schedule M2 and a schedule reconciling the income and expenses of each member of the consolidated filing.

### **LINE 1b - SPECIAL DEDUCTION PER FEDERAL RETURN**

Enter the Special Deductions from federal Form 1120, line 29b or Form 1120-C, line 26b. A corporation included in a consolidated federal filing and claiming the special deductions must attach a schedule detailing the deduction(s) on a separate return basis.



**LINE 1c – FEDERAL TAXABLE INCOME BEFORE NET OPERATING LOSS DEDUCTION**

Subtract line 1b from line 1a. Enter the result in whole dollars.

**ADDITION ADJUSTMENTS**

All entries must be entered as positive amounts.

**LINE 2a - SECTION 10-306.1 RELATED PARTY TRANSACTIONS**

Enter the amount of any disallowed deductions for related party transactions in accordance with Section 10-306.1 of the Maryland Tax-General Article.

Attach a schedule listing the type of transaction, the name and FEIN of the related party receiving the income, and the amount of the transaction.

**LINE 2b – DECOUPLING MODIFICATION ADDITION ADJUSTMENT**

If one or more of these apply, enter the total amount on line 2b and identify each item using the code letter.

**▼ CODE LETTER**

- E. Net addition modification to Maryland taxable income when claiming the federal depreciation allowances from which the State of Maryland has decoupled. Complete and attach Form 500DM. See Administrative Release 38.
- F. Net addition modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to the federal provisions. Complete and attach Form 500DM.
- CD. Net addition modification to Maryland taxable income resulting from the federal deferral of income arising from business indebtedness discharged by reacquisition of a debt instrument. Complete and attach Form 500DM.
- DM. Net addition modification from multiple decoupling provisions. See the table at the bottom of Form 500DM for the line numbers and code letters to use. Complete and attach Form 500DM.
- DP. Net addition decoupling modification from a Pass-Through Entity. Complete and attach Form 500DM.

**NOTE: Maryland has decoupled certain provisions from the CARES Act. For more information, see Tax Alert 7-24 at [marylandtaxes.gov](http://marylandtaxes.gov).**

**LINE 2c – TOTAL MARYLAND ADDITION ADJUSTMENTS TO FEDERAL TAXABLE INCOME**

Add lines 2a and 2b. Enter the result in whole dollars.

**SUBTRACTION ADJUSTMENTS**

All entries on lines 3a through 3e must be entered as positive amounts.

**LINE 3a - SECTION 10-306.1 RELATED PARTY TRANSACTIONS**

Enter the amount of income reported on this return to the extent included in the addition for disallowed related party transactions on the Maryland tax return of the related party (line 2a), or, if a similar addition modification is made on the related party's return filed in another state.

Attach a schedule listing the type of transaction, the name and FEIN of the related party adding back the income on their Maryland tax return, and the amount of the transaction.

**LINE 3b – DIVIDENDS FOR DOMESTIC CORPORATION CLAIMING FOREIGN TAX CREDIT**

Enter the amount included in the income of a domestic corporation claiming a foreign tax credit as dividends under IRC Section 78 (foreign dividend gross-up).

**LINE 3c – DIVIDENDS FROM RELATED FOREIGN CORPORATION**

Enter dividends received from a corporation if the receiving corporation owns, directly or indirectly, 50% or more of the paying corporation's outstanding shares of capital stock and the paying corporation is organized under the laws of a foreign government.

This subtraction is limited to the amount of dividends included in federal taxable income.

**LINE 3d – DECOUPLING MODIFICATION SUBTRACTION ADJUSTMENT**

If one or more of these apply, enter the total amount on line 3d and identify each item using the code letter.

**▼ CODE LETTER**

- J. Net subtraction modification to Maryland taxable income when claiming the federal depreciation allowances from which the State of Maryland has decoupled. Complete and attach Form 500DM. See Administrative Release 38.
- K. Net subtraction modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to the federal provisions. Complete and attach Form 500DM.
- CD. Net subtraction modification to Maryland taxable income resulting from the federal ratable inclusion of deferred income arising from business indebtedness discharged by reacquisition of a debt instrument. Complete and attach Form 500DM.
- DM. Net subtraction modification from multiple decoupling provisions. See the table at the bottom of Form 500DM for the line numbers and code letters to use. Complete and attach Form 500DM.
- DP. Net subtraction decoupling modification from a Pass-Through Entity. Complete and attach Form 500DM.

**LINE 3e – TOTAL MARYLAND SUBTRACTION ADJUSTMENTS TO FEDERAL TAXABLE INCOME**

Add lines 3a through 3d; enter the result in whole dollars.

**LINE 4– MARYLAND ADJUSTED FEDERAL TAXABLE INCOME BEFORE NOL DEDUCTION IS APPLIED**

Subtract line 3e from the sum of lines 1c and 2c; enter the result in whole dollars.

**LINE 5 – ADJUSTED FEDERAL NOL CARRYFORWARD AVAILABLE FROM PREVIOUS YEARS**

The **impact** of the decoupling on the NOL Deduction is not calculated on Form 500DM with the other decoupling modifications. Instead, a pro forma or adjusted federal taxable income is first computed to include the effect of the other decoupling modifications, and then the pro forma or adjusted federal NOL is applied to reduce the pro forma or adjusted federal taxable income, to no less than zero. In a carryforward year, enter the pro forma or adjusted amount on line 5 (as a positive figure), entitled Adjusted Federal NOL Carryforward available from previous tax years (including FDSC). See Administrative Release 18 and CARES Act Tax Alert 7-24.

**LINE 6- MARYLAND ADJUSTED FEDERAL TAXABLE INCOME**

- If line 4 is less than or equal to zero, enter the amount from line 4 on line 6.
- If line 4 is both greater than zero **and** the amount on line 5, subtract line 5 from line 4. Enter result on line 6.
- If line 4 is less than **or** equal to the amount on line 5, enter zero on line 6.

**MARYLAND ADDITION ADJUSTMENTS**

All entries must be entered as positive amounts.

**LINE 7a - STATE AND LOCAL INCOME TAX**

Enter the total of all net income taxes and all other taxes based on income that is imposed by any state or by a political subdivision of any state and deducted on the federal return.

Attach a schedule listing the type and amount of all taxes deducted on the federal return. The schedule of taxes must reconcile to the amount of tax expense reported on the federal return.

**LINE 7b - DIVIDENDS AND INTEREST FROM ANOTHER STATE, LOCAL OR FEDERAL TAX-EXEMPT OBLIGATION**

Enter dividends and interest (less related expenses) attributable to any obligation or security of another state, a political subdivision or authority of another state. Also include interest and dividends that are exempted by federal law or treaty from federal but not state income tax, and attributable to the United States or a foreign government or an authority, commission, instrumentality or territory.

Attach a schedule listing the source and amount of all dividends and interest reported on line 7b and any related expenses. Also include in the schedule any interest and dividends exempt by federal law or treaty from federal but not state income tax.

**LINE 7c - NET OPERATING LOSS MODIFICATION RECAPTURE**

If claiming a net operating loss deduction (line 5) for this tax year, and if, in the tax year of the corresponding net operating loss, total addition modifications exceed total subtraction modifications, enter the smaller of:

Net operating loss deduction attributable to the loss year (tax year in which the net operating loss occurred)

OR

Cumulative net operating loss deductions attributable to the loss year that are allowed for this tax year and all prior tax years

+ net addition modification (amount that addition modifications exceed subtraction modifications) for the loss year

- total net operating loss for the loss year.

These items are each considered to be a positive amount for purposes of this calculation. If the result of combining amounts is negative, use zero.

If the total net operating loss deduction for this tax year consists of net operating losses from more than one tax year, calculate the modification separately for each loss and enter the total.

Attach a schedule of the calculation if, in the tax year of the net operating loss, total addition modifications exceed total subtraction modifications.

**NOTE:** This entry is a modification and not the net operating loss. For more information, see Section 10-205(e) of the Maryland Tax-General Article and Administrative Release 18 and CARES

Act Tax Alert 7-24.

**LINE 7d - DOMESTIC PRODUCTION ACTIVITIES DEDUCTION**

Enter the amount of any deduction allowable under IRC Section 199 for income from domestic production activities claimed on the corporation's federal income tax return.

**LINE 7e - CAPTIVE REIT**

The amount of the total deduction for dividends paid that is claimed by a Captive REIT on federal Form 1120-REIT. For more information, see Section 10-306.2 of the Maryland Tax-General Article.

**LINE 7f - OTHER ADDITIONS**

If one or more of these apply, enter the total amount on line 7f and identify each item using the code letter.

**▼ CODE LETTER**

- The oil percentage depletion allowance as deducted on the federal return, under IRC Sections 613 or 613A. Other depletion allowances that are provided for in Sections 613 or 613A are not required as an addition modification.
- Total amount of credit(s) claimed in the current tax year to the extent allowed on Form 500CR for the following Business Tax Credits: Enterprise Zone Tax Credit, Maryland Disability Employment Tax Credit, Research and Development Tax Credit, Security Clearance Costs Tax Credit, Small Businesses Research & Development Tax Credit, Endowments of Maryland Historically Black Colleges and Universities Tax Credit. In addition, include any amount deducted as a donation to the extent that the amount of the donation is included in an application for the Endow Maryland Tax Credit on Form 500CR.
- The amount allowed in a prior tax year for reforestation or timber stand improvement if the commercial forest land was decertified in the previous year. See the corresponding subtraction modification listed under line 8b for more information.
- The amount of federal income tax expenses attributable to a child care center or family day care home, if the center or home is not licensed or registered as required by Maryland law.
- Amount as required to nullify the impact of federal tax changes as determined by the Comptroller.
- Members of pass-through entities that elected to make payments attributable to members' share of the pass-through entity taxable income. If you received a credit for tax paid by the pass-through entity on your distributive or pro rata share of income on Maryland Schedule K-1 (510/511), Part D enter the amount of the credit claimed on Form 500CR.

Attach a schedule of all items and amounts reported on line 7f in the same categories as specified above.

**LINE 7g - TOTAL ADDITION MODIFICATION**

Add the amounts on lines 7a through 7f; enter the result in whole dollars.

**SUBTRACTION MODIFICATIONS**

All entries on lines 8a through 8c must be entered as positive amounts.

**LINE 8a - INCOME FROM UNITED STATES OBLIGATIONS**

Income attributable to an obligation of the United States or an instrumentality of the United States. (This includes dividends from mutual funds that invest in U.S. Government obligations. Only that portion of dividends attributable to interest from U.S. obligations can be subtracted. Income from Government National Mortgage Association securities may not be subtracted.)

**LINE 8b - OTHER SUBTRACTIONS**

If one or more of these apply, enter the total amount on line 8b and identify each item using the code letter.

**▼ CODE LETTER**

- A. The percentage of the dividends received from an affiliated domestic international sales corporation equal to the percentage that would be excluded if the corporation did not qualify under IRC Section 992(a).
- B. Profit (without regard to losses) realized from the sale or exchange of bonds issued by Maryland or a political subdivision of Maryland.
- C. The amount of payment for relocation and assistance under the Maryland Real Property Article, Title 12, Subtitle 2.
- D. Refunds of income tax received from a state or a political subdivision of a state.
- E. Purchase and installation costs of certain enhanced agricultural management equipment as certified by the Maryland Department of Agriculture. Attach a copy of the certification.
- F. The amount of expenses for reforestation or timber stand improvement activity on 3 to 1,000 acres of commercial forest land, exclusive of federal funds. For information regarding qualification and a computation of expenses, contact the Maryland Department of Natural Resources.
- G. For a Regulated Investment Company, the amount of the addition for interest and dividends from state or local obligations of another state.
- H. Amount of ordinary and necessary expenses, including a reasonable allowance for salaries or compensation, paid or incurred during the taxable year in carrying on a trade or business as a State licensed or registered cannabis grower, processor, dispensary, or any other cannabis establishment licensed or registered by the State, **only if the deduction for ordinary and necessary expenses is disallowed on the federal return under Section 280E of the Internal Revenue Code.** You must include your Maryland Cannabis Administration business license or registration number on the line provided. If you are claiming the subtraction for expenses incurred under multiple license or registration numbers, only one number is required to be included. You are required to provide proof of Maryland Cannabis Administration business licenses or registrations and these expenses to the Comptroller upon request.
- I. Expenses incurred to buy and install handrails in an existing elevator in a healthcare facility (as defined in Section 19-114 of the Health-General Article) or other building in which at least 50% of the space is used for medical purposes.
- L. The amount of wages for which a deduction is not allowed under IRC Section 280C(a), not exceeding the credit allowed for targeted jobs (Work Opportunity Tax Credit) under IRC Section 51.
- M. Amount as required to nullify the impact of federal tax changes as determined by the Comptroller.
- N. The difference between the adjusted basis of certain

disposed or transferred assets as recorded in the books of the public service company and the adjusted basis of the assets for federal purposes calculated as of January 1, 2000. Add to this the amount of any carryover from a previous year.

- P. Interest on Build America Bonds that is included in your federal taxable income. See Administrative Release 13.
- Q. Income related to the sale or redevelopment of race courses in Maryland. For income realized prior to June 1, 2024, the subtraction includes the following: (1) the amount of gain recognized as a result of the (direct or indirect) sale of property within Laurel Park in Anne Arundel County, Pimlico Race Course in Baltimore City, and Bowie Race Course Training Center in Prince George's County; and (2) the amount of income recognized as a result of any expenditure of funds (directly or indirectly) by the State of Maryland, Baltimore City, or Anne Arundel County with respect to the Laurel Park site or Pimlico site. For income realized on or after June 1, 2024, the subtraction includes the following: (1) the amount of gain recognized as a result of the (direct or indirect) sale of property within Pimlico Race Course in Baltimore City and Bowie Race Course Training Center in Prince George's County; and (2) the amount of income recognized as a result of any expenditure of funds (directly or indirectly) by the State of Maryland or Baltimore City with respect to the Pimlico site.
- S. Amount of donations up to \$1,000 of certain disposable diapers, certain hygiene products, and certain monetary gifts made by a taxpayer during the taxable year to certain qualified charitable entities that are registered with the Comptroller. To qualify for this subtraction, you must enter the value of the donation and the name of each qualified charitable entity (list the name(s) on Schedule C on form 500) to which a donation was made. The Comptroller may verify the donation with the qualified charitable entity.

Attach a schedule identifying all items and amounts claimed on line 8b in the same categories as specified above. Additionally, (1) list by source and amount the interest attributable to U.S. obligations and profit from the sale or exchange of bonds issued by Maryland or its political subdivisions, and (2) reconcile the income tax refunds to the federal return.

**LINE 8c - TOTAL SUBTRACTION MODIFICATION**

Add the amounts on lines 8a and 8b. Enter the result in whole dollars.

**LINE 9 - TOTAL MARYLAND MODIFICATIONS**

Subtract line 8c from 7g. Enter the result in whole dollars. If negative, enter as a negative number.

**LINE 10 - MARYLAND MODIFIED INCOME**

Add lines 6 and 9. Enter the result in whole dollars. THIS LINE MUST BE COMPLETED.

**Note: For additional information regarding the impact of the CARES act of 2020 for any addition or subtraction modifications, visit [marylandtaxes.gov](http://marylandtaxes.gov).**

**APPORTIONMENT OF INCOME**

**NOTE: To be completed by multistate corporations - unistate corporations skip to line 13. For unistate corporations, all income is allocable to Maryland.**

**LINE 11 - MARYLAND APPORTIONMENT FACTOR**

Enter the apportionment factor as calculated on Page 4 of Form 500. (The factor must be rounded to six decimal places.)

For detailed instructions, see instructions for Schedule A - Computation of Apportionment Factor.

**LINE 12 - MARYLAND APPORTIONED INCOME**

Multiply the amount on line 10 by the factor shown on line 11. Enter the result in whole dollars.

**LINE 13 - MARYLAND TAXABLE INCOME**

Enter the amount from line 10 or line 12, whichever is applicable.

**LINE 14 - TAX**

Multiply the amount on line 13 by 8.25%. Enter the result in whole dollars.

**LINE 15 - PAYMENTS AND CREDITS**

**15a.** Enter the total of amounts paid during the tax year with Form 500D - Maryland Corporation Declaration of Estimated Income Tax. Include any overpayment carried forward from the prior year Form 500. Also include amounts paid by the corporation using Form MW506NRS - Return of Income Tax Withheld for Nonresident Sale of Real Property.

**15b.** Enter any amount paid with Form 500E - Maryland Application for Extension to File Corporation Income Tax Return.

**15c.** Enter the total of the nonrefundable business tax credits from Form 500CR. You must file Form 500 electronically to claim the following nonrefundable business tax credits from Form 500CR.

- **ENTERPRISE ZONE TAX CREDIT.** Businesses located in an enterprise zone may be eligible for tax credits based upon wages paid to qualifying employees.

- **MARYLAND DISABILITY EMPLOYMENT TAX CREDIT.** Businesses that employ persons with disabilities may be eligible for tax credits based upon wages paid to the qualified employees and the child care expenses and transportation expenses paid on behalf of the qualified employees.

- **MARYLAND RESEARCH AND DEVELOPMENT TAX CREDIT.** Businesses may claim a credit for certain qualified research and development expenses.

- **ENDOW MARYLAND TAX CREDIT.** Businesses that make a donation to a qualified permanent endowment fund may be eligible for a tax credit of 25% of the approved donation amount.

- **ENDOWMENTS OF MARYLAND HISTORICALLY BLACK COLLEGES AND UNIVERSITIES TAX CREDIT.** A taxpayer may claim the Endowments of Maryland Historically Black Colleges and Universities Tax Credit against the State income tax in the amount stated on the tax credit certificate issued by the Comptroller. If the credit exceeds the State income tax for the taxable year, the excess credit is non-refundable, but it may be carried forward and applied to succeeding taxable years until fully utilized.

- **FEDERAL SECURITY CLEARANCE COSTS TAX CREDIT.** A business may be eligible to claim credits against the State income tax for certain costs related to federal-based security contracting. For a business to be eligible, it must apply to and be certified by the Maryland Department of Commerce. This credit is limited to employers with 500 or fewer employees.

**NOTE: If you claim a business tax credit for any of the above items, an addition to income must be included on line 7f.**

- **CYBERSECURITY INCENTIVE TAX CREDIT.** A nonrefundable credit may be claimed by a buyer of cybersecurity technology and/or cybersecurity services subject to certain maximum amounts.

- **APPRENTICE EMPLOYEE TAX CREDIT.** This credit is not refundable and is applied against only the Maryland State income tax. Excess credit may be carried forward until the excess amount is fully used. The excess credit amount is applied against the Maryland State income tax after the application of all other business income tax credits on the Form 500CR.

- **QUALIFIED FARMS TAX CREDIT.** Qualified farms that make an eligible food donation may be eligible for an income tax credit. A qualified farm that makes an eligible food donation is eligible for a tax credit amount equal to 100% of the value of the eligible food donation. A qualified farm that makes a donation of certified organic produce is eligible for tax credit amount equal to 100% of the value of the donated certified organic produce. Certification of the tax credit is issued by an individual or organization authorized by the State Department of Agriculture to receive eligible food donations from a qualified farm and issue the qualified farm a tax credit certificate.

- **JOB CREATION TAX CREDIT.** Certain businesses that create new qualified positions in Maryland may be eligible for tax credits based on the number of qualified positions created or wages paid for these positions.

- **COMMUNITY INVESTMENT TAX CREDIT.** Businesses that contribute \$500 or more to approved neighborhood and community assistance programs may be eligible for a tax credit of 50% of approved contributions with a maximum credit of \$250,000.

- **BUSINESSES THAT CREATE NEW JOBS TAX CREDIT.** Certain businesses located in Maryland that create new positions or establish or expand business facilities in the state may be entitled to an income tax credit if a property tax credit is granted by Baltimore City or any county or municipal corporation of Maryland.

- **EMPLOYER-PROVIDED LONG-TERM CARE INSURANCE TAX CREDIT.** A credit may be claimed for costs incurred by an employer that provides long-term care insurance as part of an employee benefit package.

- **ONE MARYLAND ECONOMIC DEVELOPMENT TAX CREDIT.** Businesses may claim credits for project costs to establish, relocate or expand a business in a Tier I county in Maryland. A portion of this credit may be refundable.

- **COMMUTER TAX CREDIT.** Businesses may claim a credit for the cost of providing qualifying commuter benefits to the business entities' employees.

- **ENERGY STORAGE SYSTEMS TAX CREDIT.** Businesses and individuals may claim a credit for certain costs to install an energy storage system paid or incurred during the taxable year.

- **PRESERVATION AND CONSERVATION EASEMENTS TAX CREDIT.** Certain businesses donating an easement to the Maryland Environmental Trust, the Maryland Agricultural Land Preservation Foundation, or the Maryland Department of Natural Resources to preserve open space, natural resources, agriculture, forest land, watersheds, significant ecosystems, view sheds or historic properties, may be eligible for a credit.

- **WORK OPPORTUNITY TAX CREDIT.** This bill creates a nonrefundable credit against the State income tax for up to 50% of the federal Work Opportunity Tax Credit claimed by

an employer with respect to a qualified individual who is employed in the State. Any unused amount of the credit may not be carried forward to any other tax year.

- **AUTOMATED EXTERNAL DEFIBRILLATOR TAX CREDIT FOR RESTAURANTS.** An individual or business entity that operates a qualifying restaurant in Maryland may claim a nonrefundable credit to cover up to the first \$500 of the cost of an automated external defibrillator purchased for use at a restaurant during the taxable year. See Form 500CR, Part T for additional information.
- **FIRST YEAR LEASING COSTS TAX CREDIT FOR QUALIFIED SMALL BUSINESSES.** Certain small businesses performing security-based contracting which incur expenses for rental payments owed during the first year of a rental agreement for spaces leased in Maryland costs may be eligible to claim a credit for security costs certified by the Maryland Department of Commerce.

**NOTE: It is the taxpayer responsibility to maintain record of each qualified employee. Documentation needs to be provided upon request.**

**15d.** Enter the total of the refundable business tax credits from Form 500CR. You must file Form 500 electronically to claim the following refundable business tax credits from Form 500CR.

- **BIOTECHNOLOGY INVESTMENT INCENTIVE TAX CREDIT.** A credit may be claimed based on the amount contributed during the tax year to a qualified Maryland biotechnology company, subject to certain maximum amounts.
- **SMALL BUSINESS RELIEF TAX CREDIT.** An individual or small business that pays earned sick and safe leave to a qualified employee may be entitled to claim a state income tax credit. The amount of credit is granted and certified by the Maryland Department of Commerce.  
**Note:** No credit may be claimed for certificates issued after May 31, 2024.
- **MORE JOBS FOR MARYLANDERS TAX CREDIT.** A manufacturing business that is located within Maryland may be entitled to a 10-year income tax credit on the total amount of wages paid for each qualified position at an eligible facility.
- **ONE MARYLAND ECONOMIC DEVELOPMENT TAX CREDIT.** Businesses may claim credits for project costs to establish, relocate or expand a business in a Tier I county in Maryland. A portion of this credit may be refundable.
- **FILM PRODUCTION ACTIVITY TAX CREDIT.** Businesses may claim a tax credit for film production activities that meet certain qualifications and estimated total direct costs incurred in Maryland.
- **SMALL BUSINESS RESEARCH AND DEVELOPMENT TAX CREDIT.** A business which is eligible to claim the Maryland Research and Development Tax Credit, may be eligible for a refund of the amount that exceeds the state tax if it is a qualified "small business."
- **THEATRICAL PRODUCTION TAX CREDIT.** A qualified theatrical production entity may claim a credit against state income tax for theatrical production activities in the State in an amount equal to the amount stated in the tax credit certificate approved by the Maryland Department of Commerce. If the tax credit allowed exceeds the total tax otherwise payable by the qualified theatrical production entity for that tax year, the qualified theatrical production entity may claim a refund in the amount of the excess. To claim the credit, before beginning a theatrical production activity, a theatrical production entity shall submit to the Maryland Department of Commerce an application to qualify as a theatrical production

entity. After completion of the theatrical production activity, the qualified theatrical production entity shall apply to the Maryland Department of Commerce for a tax credit certificate.

**NOTE: If you claim a business tax credit for the Small Business Research and Development Tax Credit, an addition to income must be included on line 7f.**

- **INNOVATION INCENTIVE TAX CREDITS.** A refundable credit may be claimed based on the amount invested in a qualified Maryland technology company, subject to certain maximum amounts.
- **ELECTING PASS-THROUGH ENTITY MEMBER CREDIT.** Businesses who are members of pass-through entities may claim a credit for tax paid by the pass-through entity on the member's distributive or pro rata share of income.
- **CATALYTIC REVITALIZATION PROJECTS AND HISTORIC REVITALIZATION TAX CREDIT.** This is a refundable income tax credit for substantial renovation of a property formerly owned by the state or federal government that was previously used as a college, K-12 school, hospital, mental health facility, or military facility. The Department of Housing and Community Development administers the credit and issue certificates to projects.

If you are an individual, business entity or nonprofit organization, you may claim either: (1) for a project issued a single tax credit certificate on completion, a tax credit in an amount equal to 20% of the amount stated in the final tax credit certificate issued by the Department of Housing and Community Development (DHCD) for 5 consecutive taxable years beginning with the taxable year in which the Catalytic Revitalization Project is completed, or (2) for a phased project issued a tax credit certificate on completion of a phase, a tax credit in an amount equal to the full amount stated in the final tax credit certificate for the taxable year in which the certificate was issued by DHCD for the completion of a phase of the Catalytic Revitalization Project.

If the tax credit allowed in any taxable year exceeds the total tax otherwise payable by business entity or nonprofit organization, a refund in the amount of the excess may be claimed.

PTE members who are eligible for this credit must claim the credit on Form 500CR.

**NOTE:** A copy of the required certification from the Maryland Department of Housing and Community Development must be included.

**For additional information regarding any of the Business income tax credits, see the Form 500CR Instructions available at [marylandtaxes.gov](http://marylandtaxes.gov).**

- 15e.** Enter the total tax credits from Form 502S to line 1 of Part DDD of Form 500CR. Check the box on line 15e if you are a non-profit corporation. Complete and submit Form 502S with Form 500CR.
- **HERITAGE STRUCTURE REHABILITATION TAX CREDIT.** A credit is allowed for 20% or 25% of certain rehabilitation expenditures as certified by the Maryland Historical Trust.
- 15f.** If the corporation was a member of a Pass-Through Entity (PTE) doing business in Maryland and the PTE paid nonresident tax on the corporation's behalf, enter the amount on Line 15f. Attach a Maryland Schedule K-1 (510/511) or other statement from the PTE showing the amount of tax paid on behalf of the corporation. If the corporation participated in a nonresident real estate

transaction as a member of a PTE that paid taxes on the corporation's behalf using Form MW506NRS, report this payment here.

**15g. If amending, enter the total payments made with the original return.**

**15h.** Total payments and credits (Add lines 15a through 15g).

**LINE 16 - BALANCE OF TAX DUE**

If the amount on line 14 is greater than the amount on line 15h, subtract line 15h from line 14. Enter the result in whole dollars.

**LINE 17 - OVERPAYMENT**

If the amount on line 15h is greater than the amount on line 14, subtract line 14 from line 15h. Enter the result in whole dollars.

**LINE 17A - AMENDED OVERPAYMENT**

If amending prior overpayment (total all refunds previously issued.)

**LINE 18 - INTEREST AND/OR PENALTY**

Interest and/or penalty may be due as a result of the underpayment of estimated tax and as a result of late filing of Form 500 and payment of the tax. If applicable, enter each amount in the space provided and enter total.

If the estimated tax was underpaid, use Form 500UP - Underpayment of Estimated Maryland Income Tax by Corporations and Pass-Through Entities to calculate any interest and/or penalty due.

**NOTE:** If Form 500UP is not submitted with the return, the Revenue Administration Division will calculate the interest and penalty for failure to pay the required amount of estimated income tax and notify the corporation of any balance due.

Interest is due at the rate of 11.4825% annually or 0.9568% per month for any month or part of a month that a tax is paid after the original due date of the 2024 return but before January 1, 2026. For assistance in calculating interest for tax paid on or after January 1, 2026, visit [marylandtaxes.gov](http://marylandtaxes.gov).

A penalty may be imposed if any tax is not paid when due. Any penalty due will be calculated and assessed after filing of Form 500.

**LINE 19 - TOTAL BALANCE DUE**

Add the amounts on lines 14, 17a and 18. Subtract line 15h; enter the result in whole dollars. If negative amount, enter zero. The total amount due must be paid with the filing of Form 500.

**LINE 20 - AMOUNT OF OVERPAYMENT TO BE APPLIED TO ESTIMATED TAX FOR 2025**

Enter the portion of overpayment to be applied to the estimated tax for the next tax year. This portion should not exceed the net amount of lines 17, minus 17a and 18. For information regarding estimated income tax requirements, see the General Instructions.

**LINE 21 - AMOUNT OF OVERPAYMENT TO BE REFUNDED**

Add the amounts on lines 18 and 20 and subtract the total from line 17. If amending, subtract lines 17a and 18 from line 17. This is the amount requested to be refunded to the corporation.

**LINE 22 - DIRECT DEPOSIT OF REFUND**

To comply with banking and **National Automated Clearing**

**House Association (NACHA)** rules, we ask you to indicate by checking the appropriate box on your return if the state refund is going to an account outside the United States. If you indicate that this is the case, **STOP!** do not enter your routing and account numbers, as the direct deposit option is not available to you. We will send you a paper check.

By choosing direct deposit of your refund and checking the appropriate box, you authorize the State of Maryland to disclose to your bank to the State's depository bank and their financial partners, and NACHA any tax return information necessary to make the deposit, such as your refund amount, the name, as it appears on the bank account. Complete lines 22a, b, c, and d of Form 500 if you want us to deposit your refund directly into your account at a bank or other financial institution (such as a mutual fund, brokerage firm or credit union) in the United States.

**22a. TYPE OF ACCOUNT.** Check the appropriate box to identify the type of account that will be used (checking or savings). You must check one box only or a refund check will be mailed.

**22b. ROUTING NUMBER.** The routing number must be nine digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. If you are not sure of the correct routing number, contact your financial institution.

**22c. ACCOUNT NUMBER.** The account number can be up to 17 characters (both numbers and letters). Omit spaces, hyphens and special symbols. Enter the number from left to right.

If we are notified by the financial institution that the direct deposit is not successful, a refund check will be mailed.

**22d.** Indicate the business name as it appears on the bank account.



Check with the financial institution to make sure the direct deposit will be accepted and to get the correct routing and account numbers. **If you enter incorrect account or omit any required information, the State of Maryland will not be responsible for recovering that refund and/or for making direct deposit payment electronically.**

**DISCLOSURE**

By requesting a direct deposit of your Maryland tax refund and entering your bank account number, routing number, and account type on your income tax return, **you authorize** the Comptroller's Office to disclose this information regarding your refund amount to the Maryland State Treasurer's Office (who performs banking services for the Comptroller's Office).

**LINE ENTRIES FOR INFORMATIONAL PURPOSES ONLY**

**LINE 23 - NOL GENERATED IN CURRENT YEAR**

If line 6 is less than zero, enter on line 23. Otherwise, enter zero.

**LINE 24 - NAM GENERATED IN CURRENT YEAR**

If line 6 is less than zero AND line 9 is greater than zero, enter the amount from line 9 on line 24. Otherwise, enter zero.

**ADDITIONAL INFORMATION AND STATEMENTS REQUIRED**

Enter all information requested on Schedule B of Form 500.

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## **9 SIGNATURE AND VERIFICATION**

An authorized officer must sign and date Form 500 and enter his or her name and corporate title. If a preparer is used, the preparer also must print name, sign the return and enter the firm's name, address and their Preparer's Tax Identification Number (PTIN). Penalties may be imposed for tax preparers who fail to sign the tax return and provide their PTIN.

## **10 PAYMENT AND MAILING INSTRUCTIONS**

**Make checks or money orders payable to Comptroller of Maryland. On your check or money order, in blue or black ink only, you must include the Federal Employer Identification Number, tax year, and tax type. Failure to include this information will delay the processing of your payment. DO NOT SEND CASH.** Taxpayers making payments of \$10,000 or more must pay by electronic funds transfer. Others may elect this method. Taxpayers must register prior to making electronic payments. To obtain a registration form visit [marylandtaxes.gov](http://marylandtaxes.gov) or email [TAXFORMS@marylandtaxes.gov](mailto:TAXFORMS@marylandtaxes.gov). You may also call 1-800-638-2937 or from Central Maryland 410-260-7951.

Mail the completed return and all attachments to:

**Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411-0001**

For more information, visit [marylandtaxes.gov](http://marylandtaxes.gov) or email your question to: [TAXHELP@marylandtaxes.gov](mailto:TAXHELP@marylandtaxes.gov). You may also call 1-800-638-2937 or from Central Maryland 410-260-7980.

Draft as of 09/26/2024

**1 GENERAL INFORMATION FOR MARYLAND FORM 500  
SCHEDULE A**

**Multistate corporations** are those that are operating in more than one state and beyond the protection of U.S.C.A. Title 15, Section 381 of the Interstate Commerce Tax Act (P.L. 86-272). Multistate corporations operating in Maryland as a unitary business must allocate income using an apportionment formula.

**Unistate corporations** are those that are operating in only one state, or are operating in more than one state but the extent of the activity in the other states is within the protection of P.L. 86-272. Unistate corporations subject to the Maryland income tax law may not apportion income.

**Allocation** means the assignment of income to a particular state. **Apportionment** means the allocation of income among states by the use of a formula containing apportionment factors.

All factors of the apportionment formula are developed as fractions, the numerator of which is the total of Maryland items and the denominator is the total of items everywhere during the tax year. Each factor is calculated to six decimal places and the number of factors used is averaged to arrive at the final apportionment factor. The items of both numerator and denominator should reconcile to the items as categorized and reported on the federal income tax return.

If a return is filed by a multistate corporation which reflects a loss and there is no income to be apportioned, an apportionment factor must be calculated for the filing to be complete.

**2 SINGLE SALES FACTOR APPORTIONMENT**

For tax years beginning after December 31, 2021, multi-state businesses using the apportionment method of allocation generally are required to use a single receipts factor. Rental/leasing companies, financial institutions, transportation companies, and worldwide headquartered companies must use a Special Apportionment Formula (see instruction 3 below), unless the Comptroller has accepted an Alternative Apportionment Formula (see instruction 4 below). Property and payroll factors must be developed if the taxpayer has income from the sale of intangibles or is subject to a special apportionment formula **or alternative apportionment formula. If the taxpayer does not have income from the sale of intangibles and is not subject to another apportionment formula, property and payroll factors are not required to be developed.**

Specific requirements regarding each factor are set forth below:

• **RECEIPTS FACTOR**

The receipts factor includes the amounts of income reported during the tax year as gross receipts or sales less returns and allowances, dividends, interest, gross rents, royalties, capital gains and other income on the federal return.

Gross receipts from sales of **tangible personal property** are included in the numerator if the property is delivered or shipped to a purchaser that takes possession in Maryland, regardless of f.o.b. point or other conditions of sale. Sales of tangible personal property to an out-of-state purchaser also are included in the numerator if the purchaser takes possession in Maryland. Sales of property in transit that are destined for Maryland are included in the numerator.

Gross receipts from **service-related activities** are included in the numerator if the receipts are derived from customers within this State. There are specific rules to determine "Customers Within this State." To review these rules, see Maryland Regulation 03.04.03.08D.

Gross income from **intangible items** such as dividends, interest, royalties and capital gains from the sale of intangible property are included in the numerator based upon the average of the property and payroll factors.

Gross receipts from the **rental, leasing or licensing of real or tangible personal property** are included in the numerator if the property is located in Maryland. If tangible personal property is located in this State for a portion of the tax year, only the income received for that portion is included in the numerator.

Capital gains from the **sale of real and tangible personal property** are included in the numerator if the property is located in Maryland. Ordinary net gain or loss derived from the sale of depreciable assets is excluded from the factor.

**Other income items** are included in accordance with the provisions previously stated depending on the nature and type of each item.

• **PROPERTY FACTOR**

The property factor includes owned as well as rented tangible personal property used in the trade or business during the tax year. Such properties are inventory, machinery and equipment, buildings and land, and other tangible assets. Property is included in the numerator if it has a situs within Maryland.

**Property owned** by the corporation is valued at its original cost at the average of the tax year beginning and ending amounts. If there are material changes during the tax year and the yearly average is not a fair representation, the average must be calculated on a monthly or daily basis.

**Property in transit** is considered to be at its destination for purposes of the factor. Property under construction during the tax year is excluded from the factor until actually placed in service.

**Property leased or rented** by the corporation is included in the factor at a capitalized value. To arrive at the capitalized value, expenses are associated with the privilege of occupying or using the property, including such items as fixed rent, percentage rent, real estate taxes, insurance and maintenance, are multiplied by eight. Expenses for gas, electricity, oil, water or other items normally consumed are excluded.

**Lease or rental expense below the market rate** must be adjusted to reflect a reasonable market rate and then capitalized. Sublease income cannot be used to arrive at the capitalized value of leased or rented property, but must be included in the receipts factor.

**Improvements to the leased or rented property** that revert to the owner at expiration of the lease or rental term are amortized and not capitalized. The actual cost of the improvements is divided by the number of years remaining for the lease or rental term and the result is included in the factor for each tax year.

**Property that has remained idle** and has not produced any revenue for a period of five or more years is not included in the factor.

• **PAYROLL FACTOR**

All compensation is to be included in the numerator, both when the individual's service is performed entirely within Maryland, and when the individual's service is performed both within and without Maryland but the service performed outside Maryland is incidental to the individual's service within.



Compensation also is included in the numerator if some part of the service is performed within Maryland and the base of operations or place from which the service is controlled is in Maryland. If the base of operations or place from which the service is controlled is not in any state where the service is performed but the individual's residence is in Maryland, the compensation is also included in the numerator.

An election to treat certain stock purchases under IRC Section 338(h)(10) is also recognized by the State of Maryland.

### **3 OTHER APPORTIONMENT FORMULAS**

Rental/leasing companies use an equally weighted two-factor formula of receipts and property, with receipts from intangible items excluded.

Financial institutions use a single receipts factor; financial institution receipts are defined in COMAR 03.04.08.03.

Transportation companies:

- A trucking company or motorfreight carrier uses an apportionment formula equal to miles traveled in the State over miles traveled everywhere.
- A railroad company uses an apportionment formula equal to miles traveled on tracks in-State over miles traveled on tracks everywhere.
- A shipping company uses an apportionment formula equal to the number of days spent in ports and on waterways in-State over number of days spent in ports and on waterways everywhere and worldwide headquartered companies required to use a Special Apportionment Formula should refer to Administrative Release 43: Corporate Apportionment of Income. [marylandtaxes.gov/forms/Tax\\_Publications/Administrative\\_Releases/Income\\_and\\_Estate\\_Tax\\_Releases/ar\\_it43.pdf](https://marylandtaxes.gov/forms/Tax_Publications/Administrative_Releases/Income_and_Estate_Tax_Releases/ar_it43.pdf).
- An airline uses an apportionment formula of equally weighted property, payroll, and sales. COMAR 03.04.03.08(G)(3)-(6) prescribe how each factor is calculated.
- Transportation company can refer to Administrative Release 43 [marylandtaxes.gov/forms/Tax\\_Publications/Administrative\\_Releases/Income\\_and\\_Estate\\_Tax\\_Releases/ar\\_it43.pdf](https://marylandtaxes.gov/forms/Tax_Publications/Administrative_Releases/Income_and_Estate_Tax_Releases/ar_it43.pdf) and Administrative Release 22 (airlines) [marylandtaxes.gov/forms/Tax\\_Publications/Administrative\\_Releases/Income\\_and\\_Estate\\_Tax\\_Releases/ar\\_it22.pdf](https://marylandtaxes.gov/forms/Tax_Publications/Administrative_Releases/Income_and_Estate_Tax_Releases/ar_it22.pdf) for additional information.

### **4 SPECIAL RULES**

Alternative Apportionment: If the apportionment formula does not fairly represent the extent of the corporation's activity within Maryland, the Revenue Administration Division may alter the formula or components accordingly. The corporation may also request the Comptroller's approval to use an Alternative Apportionment Formula.

The corporation's share of receipts, property and payroll of a partnership or joint venture is included in the corporation's factors as if they were the direct receipts, property and payroll of the corporation. The partnership share is included only to the extent of the factors required for the corporation.

Income may be allocated by separate accounting when the activity of the corporation within Maryland is nonunitary. A corporation may not use the separate accounting method without prior approval of the Revenue Administration Division.

## COMPTROLLER OF MARYLAND REGISTRATION & TAXES

**Registration and Licensing** All new businesses (corporations, S corporations, partnerships, limited liability companies, business trusts, and sole proprietorships) can file a single application with the Central Registration Unit of the Revenue Administration Division of the Comptroller's Office to establish accounts for employer income tax withholding, sales and use tax, admissions and amusement tax, tire recycling fee, motor fuel tax, alcohol tax, and tobacco tax. The Revenue Administration Division offers assistance for filing applications and establishing accounts.

The Central Registration Unit assigns a single state identification number for the taxes listed above. Register online at **Maryland Tax Connect**.

For more information, visit [marylandtaxes.gov](http://marylandtaxes.gov).

To obtain a direct wine shipper's permit and a common carrier permit, businesses may apply with the Licensing Unit of the Maryland Alcohol, Tobacco, & Cannabis Commission.

**Corporation Income Tax** The corporation income tax applies to every Maryland corporation and every other corporation which has a nexus with Maryland. Nexus is the term used to indicate a taxable connection between a corporation and a taxing authority. If a corporation conducts business activity within Maryland and exceeds the provisions of U.S.C.A. Title 15, Section 381 of the Interstate Commerce Act (P.L. 86-272) it has a nexus and must file an income tax return.

The tax is based on federal taxable income after state modifications. Corporations engaged in multistate operations must allocate income using an apportionment formula, generally consisting of receipts, property and payroll factors. The tax is imposed at a flat rate of 8.25% of Maryland taxable income.

**Employer Withholding of Income Tax** Employers making payments to individuals of salaries, wages or compensation for personal services must withhold income tax and remit the withholding to the Revenue Administration Division. The amount of tax to be withheld is prescribed in published tables which are based on the individual income tax rates.

**Sales and Use Tax** This tax applies to businesses selling in Maryland, facilitating sales into Maryland via a marketplace, or purchasing out of state for Maryland use.

The general Maryland sales and use tax rate is 6%. Most sales of food by substantial grocery or market businesses are not subject to tax. Specific prepared foods purchased in grocery stores are subject to tax. Other exemptions include all sales solely for resale, medicine, energy for residential use, manufacturing machinery and equipment, and certain agricultural equipment and supplies. For exemptions not listed, visit [marylandtaxes.gov](http://marylandtaxes.gov).

**Electronic Smoking Devices and Vaping Liquid** A rate of 20% is imposed on the sale of electronic smoking devices (ESDs). A rate of 20% is imposed on the sale of vaping liquid over 5mL. A rate of 60% is imposed on the sale of vaping liquid 5mL or less.

**Tobacco Pipes** A rate of 12% is imposed on the sale of tobacco pipes.

**Truck Rentals and Peer-to-Peer Car Sharing** A rate of 8% is imposed on car and motorcycle rentals and peer-to-peer car sharing.

**Car and Motorcycle Rentals and Peer-to-Peer Car Sharing** A rate of 11.5% is imposed on car and motorcycle rentals and peer-to-peer car sharing.

**Alcoholic Beverages and Cannabis** A rate of 9% is imposed on the sale of alcoholic beverages and cannabis.

**911 Fee Surcharge** Sellers of prepaid wireless telecommunications services are required to report and remit to the Comptroller all Prepaid Wireless E-9-1-1 Fees collected by the seller for retail transactions of prepaid

wireless telecommunications. The Prepaid Wireless E-9-1-1 Fee is 60 cents per retail transaction. The seller must report the fees collected on a Maryland Sales and Use Tax return, although the Prepaid Wireless E-9-1-1 Fee itself is not subject to Maryland sales and use tax.

**9-8-8 Fee** A 9-8-8 fee is imposed on each telephone service or other communications service that connects an individual dialing the digits 9-8-8 to the 988 Suicide and Crisis Lifeline. The 9-8-8 Fee is 25 cents per month payable when the bill for switched local exchange access service, CMRS, or other 9-8-8-accessible service is due. Telephone Companies and 9-8-8 Service Carriers are required to add the 9-8-8 fee to all current bills, and to collect and remit to the Comptroller all 9-8-8 fees monthly.

**Motor Fuel Tax** Generally, this tax applies to businesses selling or using motor fuel in Maryland.

The Maryland motor fuel tax rate is currently 46.10¢ per gallon of gasoline and 46.85¢ per gallon of diesel fuel. There are other requirements for motor carriers, dealers, special fuel users, sellers and service station operators.

Maryland implemented the International Fuel Tax Agreement (IFTA) for motor carriers on 1/1/96.

**Alcohol and Tobacco Tax** These taxes apply to businesses manufacturing, selling, distributing or storing alcoholic beverages or selling and/or distributing cigarettes and other tobacco products in Maryland.

The Maryland excise tax rates on alcoholic beverages are \$1.50 per gallon of distilled spirits, 40¢ per gallon of wine, and 9¢ per gallon of beer. Effective July 1st, 2024, reference tax alert for details: [https://www.marylandtaxes.gov/forms/Tax\\_Publications/Tax\\_Alerts/Tax-Alert-Cigarettes-OT-ESDs-Tax-Rate-Changes.pdf](https://www.marylandtaxes.gov/forms/Tax_Publications/Tax_Alerts/Tax-Alert-Cigarettes-OT-ESDs-Tax-Rate-Changes.pdf)

**Admissions and Amusement Tax** This tax is imposed on a variety of activities, such as admission to any place, including motion pictures, athletic events, races, shows or exhibits. Also subject to this tax are receipts from athletic equipment rentals, bingo, coin-operated amusement devices, boat rides and excursions, amusement rides, golf green fees, golf cart rentals, skating, bowling shoe rentals, lift tickets, riding academies, horse rentals, and merchandise, refreshments, or a service sold or served in connection with entertainment.

The admissions and amusement tax is a local tax collected by the Comptroller's Office on behalf of Maryland's counties, Baltimore City, other incorporated cities and towns. The tax is set by the localities at rates varying from one-half of 1% to 10% of the admissions and amusement receipts. When the gross receipts are also subject to the sales and use tax, the combined tax rate may not exceed 11%.

A separate State admissions and amusement tax is imposed on the net proceeds from electronic bingo or electronic tip jars. When the net proceeds are also subject to a local tax, the combined tax rate may not exceed 35%.

**Digital Advertising Gross Revenues Tax** Quarterly estimated tax returns for this tax type must be filed by every person that reasonably expects its Maryland gross revenues attributable to digital advertising services, including banner advertising, search engine advertising, interstitial advertising, and other comparable advertising services, to exceed \$1,000,000 for the calendar year. The applicable tax rate depends on the person's global annual gross revenues and ranges from 2.5% to 10% of annual gross revenues derived from digital advertising services in Maryland. Annual returns are due by April 15 of the next calendar year.

**Tire Recycling Fee** This fee applies to tire wholesalers or a tire retailer who buys tires from out-of-state sources. Registration and payment of the fee is handled by the Revenue Administration Division.

**Utility Surcharges** These surcharges are collected by electric companies that deliver electricity in Maryland and by telephone companies doing business in Maryland. The

electricity surcharges are then paid to the Comptroller for deposit in the Environmental Trust and Universal Service Program Funds. The telecommunications surcharges are paid to the Comptroller for deposit in the 911 Emergency Telephone System and Communications Access of Maryland Funds.

The utility surcharges are collected by the Revenue Administration Division.

**Direct Wine Shipper's Permit** This permit is required for all in-state and out-of-state wine manufacturers that ship wine, including pomace brandy, directly to a Maryland consumer through a common carrier, such as Federal Express or UPS.

**Common Carrier Permit** This permit is required for a common carrier to deliver wine to a Maryland consumer.

## OTHER REGISTRATIONS & TAXES

**New Corporations** In addition to registering with the Central Registration Unit of the Comptroller's Office, all corporations doing business in Maryland must register with the Department of Assessments and Taxation. This is also the office to contact to form a new corporation.

**Bay Restoration Fee** This fee is collected by all non-exempt local governmental entities, billing authorities, drinking water and sewage water treatment plant owners, who provide water or sewage services to residential, multi-residential, and non-residential users. County governments are responsible for collecting a septic fee from owners of private wells and septic systems. The fees are remitted by these entities quarterly to the Comptroller for deposit to the Bay Restoration Fund.

**Public Service Company Franchise Tax** In addition to corporation income tax, public service companies are subject to the franchise tax on gross receipts. This tax is administered by the Department of Assessments and Taxation.

**Insurance Company Premium Tax** Insurance companies are exempt from the corporation income tax but are subject to the premium tax that is administered by the Maryland Insurance Administration.

**Unemployment Insurance** Employers are subject to the Maryland Department of Labor's unemployment insurance requirements and must visit the Maryland Department of Labor website at: [employer.beacon.labor.md.gov/](http://employer.beacon.labor.md.gov/) to establish an account.

**Workers' Compensation** Employers in Maryland must provide Workers' Compensation Insurance for all employees. Employers may obtain coverage from a private insurance company, by becoming self-insured or by contacting the State Injured Workers' Insurance Fund. Employers believing they are not required to obtain this insurance may contact the Workers' Compensation Commission for certification of compliance.

**Business Licenses** Licenses are required for certain businesses to operate in Maryland. To determine if a license is necessary, contact the Clerk of the Circuit Court in the Maryland county (or Baltimore City) where the business operates. A circuit court is located in each of those jurisdictions.

## OTHER REQUIREMENTS

**Bulk Sales** When an existing business is bought, the purchaser must pay a 6% bulk sales and use tax on the price of tangible personal property, such as furniture and fixtures, that is part of the business. This tax is collected by the Compliance Division of the Comptroller's Office.

**Dissolution of Corporation** Articles of Dissolution must be filed with the Department of Assessments and Taxation for the dissolution of a corporation. A tax clearance certificate is no longer required for the dissolution of a corporation.

**Unclaimed Property** Unclaimed funds such as wages, insurance benefits, bank accounts or security deposits must be reported if they remain unclaimed for three years. This

property must be reported to the Unclaimed Property Division.

**NOTE:** The information provided on this page is a brief summary of the various Maryland business requirements and is based on the law in effect as of 7/1/2023. For additional information, see the next page for the addresses and phone numbers of the Maryland agencies most frequently contacted by businesses.